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ORIGIN EB-11

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO IMMEDIATE

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EO. 11652: N/ A

TAGS: ETRN, MX

SUBJ: RETURN OF US RAIL CARS

REF: MEX 3666, 3522 AND PREVIOUS

1. SUMMARY. ICC HAS DECIDED TO IMPOSE EMBARGO ON LAREDO GATEWAY ON MAY 24 WITH PRACTICAL EFFECT TUESDAY, MAY 29. DECISION BASED ON WORSENING OF BOTTLENECK AT LAREDO. EMBARGO WILL SUPERSEDE TEX- MEX EMBARGO, BUT WILL NOT AFFECT OTHER GATEWAYS.

2. DEPARTMENT AND ICC APPRECIATE EMBASSY' S CONTINUING EFFORTS IN THIS SITUATION AND YOUR COMPREHENSIVE REPORTS ON FNM ENDEAVOURS TO DEAL WITH PROBLEM. YOUR DAILY FIGURES INDICATE A NET RETURN OF 1132 CARS IN PERIOD MAY 4-20, DAILY AVERAGE OF APPROXIMATELY 66. THESE COINCIDE
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FAIRLY CLOSELY WITH INFORMATION ICC IS NOW GETTING ON DAILY BASIS FROM CONNECTING US CARRIERS. IN SPITE OF THESE SIGNIFICANT NET RETURNS THE AGGREGATE NUMBER OF US CARS IN MEXICO AS RECORDED ON AAR COMPUTER HAS NOT BEEN SIGNIFICANTLY REDUCED (6800 ON MAY 15 VERSUS 7000 APRIL 15). ONE EXPLANATION OF THIS DISCREPANCY (ASIDE FROM THE QUESTION OF COMPARABLE DATES MAY 20 VERSUS MAY 15) APPEARS TO BE THAT SEVERAL HUNDRED OF THE CARS RETURNED IN THIS PERIOD HAVE BEEN IN MEXICO SINCE PRIOR TO THE INTRODUCTION

OF THE AAR COMPUTER SYSTEM IN 1970. AAR HAS PREVIOUSLY INFORMED US THAT FNM REPS APRIL 16 MEETING ADMITTED SAME 3000 CARS BELIEVED IN MEXICO SINCE BEFORE 1970. HENCE IN STATE 087259, PARA 2, FIGURE 7-10,000 USED.

3. MORE IMPORTANTLY, LAREDO BOTTLENECK IS WORSENING AND THREATENS DISRUPT OPERATIONS THERE IN SPITE OF CONTINUED NET RETURNS AND MARGINAL REDUCTION OF STOCK IN MEXICO. CONTINUED ORIGINATION OF RAIL SHIPMENTS FROM INTERIOR POINTS IN U. S. FOR MEXICO VIA LAREDO IS AT ROOT OF THIS SITUATION. FOLLOWING FIGURES FOR ILLUSTRATIVE DATES OVER PAST MONTH DEMONSTRATE SITUATION:

DATE	TOTAL SOUTHBOU	TOTAL CARS	SOUTHBOUND
.....	LOADED CARS...	HELD MEX.....	LOADED CARS
.....	HELD US SIDE	SIDE.....	HELD MEX
.....	SIDE		

APR 27	3233	1551.....	1682.....	1062
MAY 4	3456	2083.....	1373.....	786
MAY 11	3559	2208.....	1351.....	700
MAY 14	3560	2209.....	1351.....	762
MAY 18	3833	2268.....	1565.....	743
MAY 21	3927	2759.....	1168.....	397

DATE ... NORTHBOUND LOADED AND EMPTY CARS HELD MEX SIDE

APR 27	620
MAY 4	587
MAY 11	651
MAY 14	589

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MAY 18	822
MAY 21	771

4. IN VIEW OF THIS SITUATION ICC HAS NOW INFORMED DEPARTMENT IT MUST ORDER EMBARGO ON FURTHER RAIL MOVEMENTS TO LAREDO WHICH ARE DESTINED FOR INTERCHANGE WITH FNM. EMBARGO WILL RELATE ONLY TO NEWLY ORIGINATING MOVEMENTS

VIA LAREDO. IT WILL NOT AFFECT INTERCHANGE OF CARS ALREADY AT LAREDO OR PRESENTLY EN ROUTE THERE. CARS AT LAREDO AND OTHER GATEWAYS CAN PROCEED SOUTH AS QUICKLY AS FNM CAN ACTUALLY MOVE THEM. FURTHERMORE, NEW MOVEMENTS CAN CONTINUE TO ORIGINATE IN INTERIOR OF US FOR MOVEMENT TO MEXICO BY GATEWAYS OTHER THAN LAREDO. (HOWEVER, IF SERIOUS BOTTLENECKS DEVELOP AT OTHER GATEWAYS ICC MAY HAVE TO ORDER EMBARGOES THERE AT LATER DATE.)

5. EMBARGO WILL BE ANNOUNCED MAY 24 TO BE EFFECTIVE TECHNICALLY WITHIN 48 HOURS. HOWEVER, SINCE MAY 26 IS

START OF HOLIDAY WEEKEND ITS PRACTICAL DATE WILL BE TUESDAY MAY 29.

6. EMBASSY SHOULD INFORM GOM AND FNM OF THE ABOVE ASAP AND MAY POINT OUT THE FOLLOWING:

A. NEED FOR THIS ACTION DICTATED BY CRITICAL SITUATION DEVELOPING AT LAREDO. EVEN THOUGH ALL CONCERNED RECOGNIZE THAT FNM HAS BEEN MAKING IMPRESSIVE EFFORTS TO CORRECT SITUATION, FOR VARIETY OF OPERATIONAL REASONS THESE ARE NOT HAVING ADEQUATE IMPACT ON BOTTLENECK.

B. EMBARGO CAN BE LIFTED ALMOST INSTANTANEOUSLY AS SOON AS ICC KNOWS SITUATION HAS BEEN CORRECTED.

C. NO TIME FRAME FOR THE EMBARGO IS SPECIFIED IN THE ORDER. HOWEVER, ICC HAS INDICATED TO DEPARTMENT ITS INTENT TO KEEP IT IN EFFECT ONLY UNTIL TOTAL NUMBERS OF CARS ON HAND (MOVING IN BOTH DIRECTIONS) AT LAREDO- NUEVO LAREDO IS DOWN TO 1500.

D. THIS EMBARGO IS VERY LIMITED IN CHARACTER AND RELATES LIMITED OFFICIAL USE

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ONLY TO THE CONGESTION ASPECT OF THE TOTAL PROBLEM. THERE ARE NO PRESENT PLANS FOR A WIDER EMBARGO ON ACTUAL MOVEMENT OF CARS INTO MEXICO SIMILAR TO THAT OF 20 YEARS AGO WHICH REQUIRED AN EXTENSIVE PERMIT SYSTEM FOR ITS OPERATION. THE ICC, HOWEVER, IS STILL CONCERNED ABOUT THE TOTAL STOCK OF US RAILCARS IN MEXICO AND EXPECTS THAT THE FNM WILL CONTINUE TO RETURN CARS ON A SUBSTANTIAL SCALE WITH A NET MOVEMENT AVERAGING 60 PER DAY UNTIL THE NUMBER IN MEXICO IS DOWN TO ABOUT 4000.

E. THIS ICC EMBARGO ON LAREDO PROVIDES FOR NO EXEMPTIONS AND SUPERSEDES THE TEX- MEX EMBARGO WHICH PROVIDED FOR FIVE CATEGORIES (FOUR IN ORIGINAL ACTION PLUS TOFC- COFC (" PIGGY-BACK") ADDED LATER). ICC, HOWEVER, IS WILLING TO CONSIDER

AMENDING ORDER TO PROVIDE FOR EXEMPTIONS SPECIFICALLY REQUESTED BY GOM.

F. SUBJECT TO OPERATIONAL CONSIDERATIONS AT THE LAREDO YARDS THE FNM IS FREE TO CHOOSE CARS AT OR PRESENTLY EN ROUTE FOR SOUTHBOUND MOVEMENT IN ACCORDANCE WITH ITS PRIORITIES. THERE IS NO FIRST- IN, FIRST- OUT REQUIREMENTS IN THE ICC ACTION. HOWEVER, SELECTION OF INDIVIDUAL CARS FROM STORAGE AREAS DOES CAUSE SIGNIFICANT COSTS TO THE CARRIER OPERATING THE YARD AND MAY RESULT IN LOSS OF TIME WHICH COULD BE USED FOR CLEANING UP THE BOTTLENECK.

G. SHOULD GOM DESIRE DISCUSS SITUATION IN GREATER DETAIL

THAN POSSIBLE WITH EMBASSY, DEPARTMENT WILL BE PLEASED ARRANGE APPROPRIATE MEETING IN WASHINGTON.

7. F. Y. I.: SITUATION REPORTS REACHING ICC AND AAR DO NOT COINCIDE WITH EMBASSY INFORMATION ON SOME ACTIONS REPORTED BY FNM. THERE APPEARS TO BE A GENERAL MALAISE IN THE OPERATIONAL ARRANGEMENTS AT THE BORDER AND THERE ARE REPORTS OF SEVERE CONGESTION AT MEXICAN INLAND TERMINALS WHICH IS IMPEDING TOTAL OPERATIONS. FOR EXAMPLE, AAR REPORTS THAT ONLY THREE SP LOCOMOTIVES HAVE SO FAR ACTUALLY
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